

INFINEON

| Technology
| Semiconductors

NEUTRAL

Fair Value EUR20(-5%)
Share price EUR21.00
EPS 3Y Cagr 5.5%

IPC and CCS post better-than-expected margins; guidance in line with expectations

Infineon reported FQ2 results 9.1% above street's expectations

The company reported FQ2 revenues of EUR1.983bn, +0.7% seq. (+8.0% yoy), in line with group's guidance for a revenue flat (+/- 350bp) at EUR1,9710m, and consensus expectations at EUR1.967bn. Gross margin stood at 38.5%, 20bps above the street's forecasts of GM at 38.3% (BG ests. 38.5%). Segments results came in at EUR332m or 16.7% margin, higher than guidance at 16M and 9.1% above the consensus estimates (cons. EUR304m/BG ests. EUR315m) mainly explained by higher-than-expected profitability at PMM and CCS. Adjusted EPS was registered at EUR0.24, i.e. 9.1% above the consensus (cons. EUR0.22/BG ests. EUR0.23). Inventory levels were up 7% to EUR1.706bn vs. EUR1.591bn at the end of FQ1 2019.

Pressure on margins continue, CCS recovery on the way

Revenue from the automotive division ATV was up 3.4% seq. (+7.9% y/y) to EUR875m, in line with consensus, and segment results came in at EUR112m or 12.8% margin compared to 13.8% a quarter ago (cons at 13.2%). The y/y growth continues to be driven by higher demand for electric drivetrain products and ADAS. IPC's revenue decreased by 1.4% seq. (+9.5% seq.) to EUR347m, in line with expectations, while the segment results margin was better than expected at 19.3% versus consensus at 18.6%. There was a slightly lower demand for industrial drives, photovoltaics and home appliances, while demand in traction and wind increased. PMM sales decreased 4.2% seq. (+8.8% y/y) to EUR591m, and beat the consensus especially on margins at 22.3% vs cons at 20.1%. Inventories of power supply components for a broad range of end applications remain at a high level throughout. Finally, Chip Card & Security (CCS) revenue up by 10.1% seq. to EUR164m (street's estimates at EUR154m) mainly due to growth in the payment card business and noticeable sequential increase in revenue from eSIM for vehicle. CCS results came in at EUR19m to be compared with consensus at EUR16m.

Guidance in line with expectations

Infineon expects FQ3 2019 sales to increase by 1% (+/-200bp) at about EUR2.0bn, in line with the consensus forecast for revenue of EUR2.016bn (BG ests. EUR1.996bn). Regarding the adjusted EBIT, it is expected to come out at a level of about 15.0%, down about 170bps compared to Q2 2019 and in line with street's expectations. Infineon confirms its full-year guidance of EUR8.0bn or growth of about 5.3% considering EUR/USD exchange rate of 1.15. Based on our estimates, Infineon's shares are trading on forward earnings and EBITDA of 20.8x and 9.4x, respectively.

Market Data

Bloomberg / Reuters	IFX GY/IFXGn.DE
Market Cap.	EUR23,880m
E.V.	EUR22,869m
Free Float	99.5
Avg. Daily volume (6m)	6,362
12m high / low	25.5 / 16.1
Ytd Perf.	20.9%

EURM	09/18	09/19e	09/20e	09/21e
Sales	7,599	7,982	8,446	9,114
% Change		5.0%	5.8%	7.9%
EBITDA	2,213	2,292	2,524	2,852
% Change		3.6%	10.1%	13.0%
EBIT	1,471	1,266	1,518	1,675
% Change		-13.9%	19.9%	10.3%
Net Income	1,100	1,056	1,168	1,292
% Change		-4.0%	10.6%	10.6%
ROE	0.19	0.14	0.15	0.15

	09/18	09/19e	09/20e	09/21e
EV/Sales	3.0x	2.8x	2.6x	2.4x
EV/EBITDA	10.3x	9.9x	8.8x	7.6x
EV/EBIT	15.5x	17.9x	14.7x	12.9x
EPS	0.97	0.93	1.03	1.14
% change		-3.9%	10.6%	10.6%
P/E	21.7x	22.5x	20.4x	18.4x
Div Yield	1.2%	1.3%	1.2%	1.3%

Next Catalyst:

9.30 today: FQ2 conference call

Last rating Change:

2016-5-12, Tout n'est pas encore intégré dans le cours

Last FV Change:

2019-2-26, From MWC 2019: Infineon announced an integrated eSIM for mobile consumers

Last Reports:

2019-2-26, From MWC 2019: Infineon announced an integrated eSIM for mobile consumers

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FQ2 results vs consensus

[EURm]	BG ests. 2Q19e	Consensus 2Q19e	2Q19 Actual	Actual vs. Cons.	
Net revenue	1,960	1967	1983	16	0.8%
% change (seq)	-0.5%	-0.2%	0.7%		81bp
% change (yoy)	6.7%	7.1%	8.0%		87bp
Adj. gross profit	755	753	763	11	1.4%
Adj. gross margin	38.5%	38.3%	38.5%		23bp
Adj. EBIT	315	304	332	28	9.1%
% of revenue	16.1%	15.5%	16.7%		127bp
Adj. EPS (in EUR)	0.23	0.22	0.24		9.1%

Sources: Company data; Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.

FQ3 guidance vs consensus

[EURm]	BG ests. 3Q19e	Consensus 3Q19e	3Q19 Guidance	Guid. vs. Cons.	
Net revenue	1,996	2016	2003	-13	-0.7%
% change	1.9%	2.5%	1.0%		-149bp
Gross profit	749	756		-756	-100.0%
Gross Margin	37.5%	37.5%			
Adj. EBIT	304	302	300	-2	-0.7%
% of revenue	15.2%	15.0%	15.0%		0bp
Adj. EPS (in EUR)	0.22	0.21			

Sources: Company data; Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.

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NEUTRAL ratings 43.8%

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